

MILFORD WATER COMPANY

D.T.E. 05-61

FIRST SET OF INFORMATION REQUESTS OF THE INTERVENOR TOWN OF
MILFORD TO MILFORD WATER COMPANY

Pursuant to 220 C.M.R. Section 1.06 (6)(c), the Intervenor Town of Milford (“Town”) submits to the Milford Water Company (“Milford”) its First Set of Information Requests.

Instructions

The following instructions apply to this set of Information Requests and all subsequent Information Requests issued by Town to Milford in this proceeding.

1. Each request should be answered in writing on a separate, three-hole punch page with a recitation of requests, a reference to request number, the docket number of the case and the name of the person responsible for the answer.
2. Do not wait for all answers to be completed before supplying answers. Provide the answers as they are completed.
3. These requests shall be deemed continuing so as to require further supplemental responses if Milford or any of its witnesses receives or generates additional information within the scope of these requests between the time of the original response and the close of the record in this proceeding.
4. The term “provide complete and detailed documentation” means:

Provide all data, assumptions and calculations relied upon. Provide the source of and basis for all data and assumptions employed. Include all studies, reports and planning documents from which data, estimates or assumptions were drawn and support for how the data or assumptions were used in developing the projections or estimates. Provide and explain all supporting work papers.
5. The term “document” is used in its broadest sense and includes, without limitation, writings, drawings, graphs, charts, photographs, phono-records, microfilm, microfiche, computer printouts, correspondence, handwritten notes, records or reports, bills, checks, articles from journals or other sources and other data compilations from which information can be obtained and all copies of such documents that bear notation or other markings that differentiate such copies from the original.

6. If any one of these requests is ambiguous, notify the Hearing Officer so that the request may be clarified prior to the preparation of a written response.
7. Please serve copies of the responses as follows: (a) an original and four (4) copies to Mary L. Cottrell, Secretary of the Department; and (b) one (1) copy to all parties.

Requests

- | | |
|-----------|---|
| Town 1-1 | Please provide a copy of the 2004 State and Federal Tax returns filed by the company; |
| Town 1-2 | Please provide the company's chart of accounts and sub-accounts (with balances) year ending December 31, 2004. |
| Town 1-3 | On page 7 of the testimony of Stephen Alcott there is reference to a "Comprehensive Compliance Evaluation" from the Department of Environmental Protection dated March 9, 2005. Please provide a copy of that document. In addition, please provide any other documents which constitute orders or direction from the Department of Environmental Protection as to conservation efforts required to be undertaken by the Water Company. |
| Town 1-4 | Please explain the basis for item listed as "Reserve for Deferred FIT – Depreciation" referenced on Table 4 to SBA1. |
| Town 1-5 | Please describe the basis and the purpose of the "New Long Term Debt" referred to in Table 5 under footnote "a" as being "in process". |
| Town 1-6 | Please explain the basis for the "Capital Cost of Hydrants per Books" set at \$877,776 as referred to on Schedule R5 to Exhibit "SBA1". |
| Town 1-7 | Please itemize the amount actually expended by the company in the test year for: (a) installation of new hydrants (b) maintenance and repair to existing hydrants. |
| Town 1-8 | Please state the amount of water pumped from Clark's Island well fields during each year from calendar year 1995 through and including calendar year 2004. Refer to Schedule A1 to Exhibit "SBA1". |
| Town 1-9 | Please list by position and annualized rate of pay each full or part time employee employed by the company during calendar year 2003 and calendar year 2004. |
| Town 1-10 | Please state what salary increases were granted, and when, for each employee position from April 1, 1999 through the present. |

- Town 1-11 Refer to Exhibit SBA1, Schedules A-4 and A-5. Please explain in detail the basis for the \$22,400 referred to as “Depreciation on Post Test Year Additions”, listing what such additions are and when they were placed in service.
- Town 1-12 Refer to Exhibit SBA1, WP-COS-B. Please itemize the \$54,508 booked during the test year to Account 610.11, Miscellaneous General Expense.
- Town 1-13 Refer to Exhibit SBA1, WP-COS-C. Please itemize the \$1200 booked to Account 113B, Miscellaneous Expenditures.
- Town 1-14 Refer to Exhibit SBA1, WP-COS-C. Please itemize the \$167,177 booked to Account 119, Miscellaneous Expenditures.
- Town 1-15 Refer to Exhibit SBA1, WC-COS-C. Please itemize the \$35,715 booked to Account 106, Miscellaneous Pump Plant Equipment.
- Town 1-16 Refer to Exhibit SBA1-1, WP-COS-C. Please itemize the \$705,746 booked to Account 105, Pumping Plant Equipment.
- Town 1-17 During calendar years 2002, 2003 and 2004, how many of each of the following meter sizes did the Milford Water Company install, allow or require to be installed during each of said years:

5/8” meter

3/4" meter

1” meter

1 ¼” meter

1 ½” meter

2” meter

3” meter

4” meter

6” meter

8” meter

and for each such category, what was the total amount collected as service connection fees as required by the then current Rules and Regulations of the Milford Water Company?

- Town 1-18 With respect to officers, employees or directors of the Milford Water Company Please identify any of such who are members of the family of

Leonard White and/or who are officers or employees of the R.H. White Construction Company and state what their positions with the Milford Water Company are and what their compensation was during the test year.

- Town 1-19 During the years 2000 through 2004, did the Milford Water Company enter into any contracts or other financial arrangements with the R.H. White Construction Company and/or any companies affiliated with that company or other companies owned or controlled by Leonard White or members of his family, and if so, please identify:
- a. The nature of the contract.
 - b. The amount paid by Milford Water Company.
 - c. The identity of the affiliated company.
- Town 1-20 Why did the Company wait so long to prepare a rate increase when significant increases occurred throughout the period since the last increase?
- Town 1-21 At what point in time would the Company have known that its total costs (operating and capital) were close to or exceeding its collection of total revenues by about 15%?
- Town 1-22 What were the additions to plant that collectively result in the \$6 million increase since 1997? (Please specify the cost of each major item and totals for smaller items by type, e.g., meters, services, hydrants, etc.)
- Town 1-23 What are the post-test year capital plant additions of \$581,000 comprised of? (Please specify the cost of each major item and totals for smaller items by type, e.g. meters, services, hydrants, etc.)
- Town 1-24 Please provide a breakdown of the \$560,000 increase in capital costs by the 4 categories listed on pages 4 and 5 [i.e. depreciation, interest, real estate taxes and return on Equity (ROE)].
- Town 1-25 Please provide the calculation(s) that Mr. Alcott used to derive the 2.7% compound escalation factor (in operating costs) on page 5 of his testimony.
- Town 1-26 What is the equivalent compound escalation rate in generating costs between the allowed cost in the prior case (\$1.364 million) and the projected pro-forma amount (\$1.946 million). Please show details of the calculations.

- Town 1-27 What are the 5 highest line item operating costs that led to the increase of \$582,000 requested? (Indicate the amounts for each expense category listed)
- Town 1-28 Please explain why total non-rate revenues will not increase over current levels when the Company proposed to increase unit charges for many of the sources of these revenues?
- Town 1-29 When was the last Cost of Service Study (COSS) performed for the Company? What was the year used in that study to make the cost allocations? Why hasn't the Company prepared a Cost of Service Study (COSS) for this case?
- Town 1-30 Has the Company prepared (directly or through an independent consultant) a comprehensive supply and/or demand management study for its system since the last rate case? If so, please provide a copy. If not, why not? Is one currently ongoing or planned to be started soon?
- Town 1-31 For each of the miscellaneous charges listed on pages 7 and 8 of Mr. Alcott's testimony, please list the current charge, the proposed charge and the associated increase or decrease for each. What impact will each of these changes have on the Company's recovery of misc. revenues? Please reconcile the result with your statement on page 6, line 1, if this analysis shows an overall increase in misc./non-operating revenues.
- Town 1-32 Is it reasonable and equitable to increase rates to 48 individual customers by 40.5% (average increase-20%) in phase-1 and 63% (average increase-39%) in phase-2? What measures, if any, has the Company considered and/or plans to implement in order to mitigate the financial impacts to these 48 customers?
- Town 1-33 Has the Company performed any analysis to determine if the requested return on equity is fairly close to or significantly different from market rates currently being earned by water companies with comparable risks? If the answer is affirmative, what are the results of the analysis? If the answer is negative, why not?
- Town 1-34 If it were the case that the required market return on equity for other comparable companies is closer to 8% or 9%, is it the Company's position that it should be allowed to earn the proposed 11.5% and that the Commission is required to allow the higher value?
- Town 1-35 What has the average use per residential customer been for each of the last 5 years (1999-2004)?

- Town 1-36 What is the basis for charging wholesale customers a uniform consumption charge equal to the first block rate times 1.5?
- Town 1-37 What annual amounts does the Company expect to receive from its new source development charges (SDCs) over the next 5 years (first 5 years in effect)? How will these funds be accounted for and how will they be utilized?
- Town 1-38 What % of total pro-forma revenues would the “loss” due to emergency water bought from Holliston in 2002 be in 2006? Does this represent a level of loss that necessitates the institution of an automatic adjustment clause? Please explain your response in detail.
- Town 1-39 What were the consumption figures by customer class that produced the revenues on Table 1 of Exhibit SBA1?
- Town 1-40 What were the corresponding consumption levels in each of the preceding three years (2001-2003)?
- Town 1-41 What is the first full year that the Company expects its new rates to be in effect (i.e. the “pro-forma year”)?
- Town 1-42 What is the Company’s basis for assuming that consumption levels will remain constant going from the test year to the pro-forma year? More specifically, why hasn’t the Company factored in some level of growth in retail water sales over that approximately two-year period? What additional development does the Town anticipate (or has already realized) over the intervening two years (both commercial and residential)?
- Town 1-43 Please provide an update as to when Hopedale’s new well supply will be on-line and supplanting 100% of the wholesale purchases from Milford. Is there any possibility that Hopedale will continue to make significant wholesale purchases going forward for another year or two?
- Town 1-44 Has Milford considered wholesale sales to other communities or private customers that can’t be supplied by neighboring water utilities going forward? Please indicate what, if any, measures the Company has taken to increase water sales beyond its Town’s borders.
- Town 1-45 How was the Company’s cash working capital calculated (Table 4, Exhibit SBA1)? Has the Company ever performed a lead-lag study to determine the appropriate level?
- Town 1-46 Why is there no conservation incentive (price signal-higher block rates for greater consumption) for non-residential customers?

- Town 1-47 What is the basis for the proposed consumption charge for wholesale customers? (That is, why was 150% of the first block rate used as opposed to any other unit amount that could have been used?) What, if any, is the cost basis?
- Town 1-48 Referring to Schedule R-7, Exhibit SBA1, please provide the following back-up information:
- Detailed cost estimates of the five plan (asset categories) items listed.
 - Will the existing customer base receive any benefit from the increased capacity of 1.66 MGD?
 - Please demonstrate why the Company believes that an average residential single-family customer uses 90,000 gallons per year.
 - Please demonstrate the correlation between the average use (or demand) of all customers with the same meter size and the relative potential flow capacity for each meter size expressed as a “ratio” to a customer with a 5/8-inch meter.
 - What level of revenues does the Company expect to collect from the proposed connection charge in each of the first three years they will be in effect if approved?
 - How will the revenue that is collected from the connection charges be accounted for and what specific expenses will they be used to pay for?
 - Will these funds be segregated in a separate interest-bearing fund? Will they only be used to pay for the capital costs of the five categories listed?
- Town 1-49 Referring to Schedule R-8, Exhibit SBA1, how many “turn-ons” and “turn-offs” has the Company experienced in recent years, and how many would it expect to perform over the next three years (pro-forma year plus two)? (For each year, please separate the total number between those performed during normal business hours and all others.) How will these funds be accounted for and how will they be utilized?
- Town 1-50 Referring to Schedule A3, Exhibit SBA1, please provide all assumptions, estimates, and calculations used as a basis for deriving the 30.08% increase in labor expenses between the test year and the pro-forma year. (In particular, the increase of \$133,294 between 2004 and 2005.)
- Town 1-51 Referring to Schedule A-4, Exhibit SBA1, please provide all assumptions, estimates, and calculations used to derive the following line item amounts:
- Overall test-year depreciation rate – 3.044%.
 - Pro-forma depreciation on contributions in aid of construction - \$84,957.

- Pro-forma depreciation on total depreciated plant in service - \$450,445.
 - Depreciation on post-test-year additions - \$22,400.
- Town 1-52 Has the number of employees changed from the test year to the Pro-forma year?
- Town 1-53 Referring to Schedule A-2, Exhibit SBA1, please provide all assumptions, estimates and calculations used to derive the following pro-forma adjustments:
 - Employee health insurance - \$37,400. [In particular, the monthly premium amounts (WP=MISC EXP)]
 - Purchased power - \$41,500. [In particular, changes in use and prices included in the estimates (WP=POWER)]
 - Purchased water adjustment - \$25,000. [In particular, the three dollar amounts (on WP=MISC EXP)]
 - Uncollectible expense - \$3,800.
- Town 1-54 Referring to Schedule A-6, Exhibit SBA1, please provide all assumptions, estimates, and calculations used to derive the “loss-on-disposal” amounts for each year from 1996 through 2004.
- Town 1-55 Referring to Schedule A-7, Exhibit SBA1, please explain in detail the difference between the Earnings-Subject-to-Tax amount of \$659,089 and the pro-forma estimate of total labor costs (\$588,657).
- Town 1-56 Referring to Schedule A-8, Exhibit SBA1, please provide backup schedules showing how the “assessments” for the Real Estate Commercial and Personal Property in Milford and Real Estate Residential in Hopkinton were derived.
- Town 1-57 Referring to Schedule A-8, Exhibit SBA1, are the “Tax Rates per \$1,000” actual or estimated? If actual, what year? If estimated, show all assumptions, estimates, and calculations used to derive these values.
- Town 1-58 What are the specific assets that comprise the “rate base increase” of \$4,617,458 on Schedule A-8? List each item along with its value that sum to this amount. Indicate which items are in Milford or Hopkinton.
- Town 1-59 Is it the Company’s contention that assets are only taxed for their property values by communities after they are allowed in the rate base by the DTE? If this is not the case, then have nearly all of the facilities installed after the last rate case only been in service since January 1, 2005. If it is the Company’s contention, please reference the statute and/or regulation that established this requirement.

- Town 1-60 Referring to Schedule A-9, Exhibit SBA1, why is there no deduction for tax depreciation? Show how the ratio value of 0.6167 that is used to derive the gross taxable income was computed. Also, please show how the values derived on this schedule would change if the rate base was \$1,000,000 less (\$8,738,518). Provide the assumptions, estimates, and calculations used to derive the “interest expense” of \$171,398.
- Town 1-61 Referring to Schedule A-10, Exhibit SBA1, please provide the detailed backup estimates and calculations used to derive each of the three amounts comprising the total cost (\$105,000). What portion of each of the three has been expended through the filing date?

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS
AND ENERGY

D.T.E. 05-61

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all parties of record in this proceeding in accordance with the requirements of 220 CMR 1.05(1) (Department's Rules of Practice and Procedure).

Dated at Milford, Massachusetts this 30th day of November, 2005.

Gerald M. Moody
Town Counsel